

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 EB-11 COME-00 TRSE-00 OMB-01 MC-02 DRC-01

EURE-00 ACDA-19 /134 W

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P R 191754Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 8845

INFO AMEMBASSY PARIS

AMEMBASSY BONN

UNCLAS SECTION 01 OF 02 LONDON 03484

E.O. 11652: N/A

TAGS: ETRN, SENV, UK, FR

SUBJ: GOVERNMENT REPORT PREDICTS GLOOMY PROSPECT FOR
CONCORDE

1. SUMMARY. IN MOST PESSIMISTIC GOVERNMENT REPORT ON
CONCORDE EVER MADE PUBLIC, SECRETARY OF STATE FOR IN-
DUSTRY BENN, IN EFFECT, TOLD PARLIAMENT ON MARCH 18
THAT THE CONCORDE PROGRAM COULD NEVER BE MADE
ECONOMICALLY VIABLE BUT THAT ITS FAILURE WOULD BE
A NATIONAL TRAGEDY. BENN SAID HE HOPED TO MEET WITH
FRENCH COUNTERPARTS AS SOON AS POSSIBLE TO DISCUSS
FUTURE OF CONCORDE BUT HE MAINTAINED UKG HAS NOT YET
DECIDED POSITION IT WOULD TAKE IN SUCH DISCUSSIONS.
END SUMMARY.

2. IN FIRST TOUGH AEROSPACE ISSUE NEW LABOR GOVERNMENT
HAS HAD TO DEAL WITH, SECRETARY OF STATE FOR INDUSTRY
ANTHONY WEDGEWOOD BENN PULLED NO PUNCHES IN LAYING
BEFORE PARLIAMENT THE DISMAL ECONOMIC PROSPECTS FACING
THE ANGLO-FRENCH SUPERSONIC CONCORDE PROJECT. HIS
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PURPOSE IN DOING SO, ACCORDING TO BENN, WAS TO ENSURE

THAT MPS AND THE PUBLIC COULD BE FULLY INFORMED
ON THE SITUATION BEFORE FURTHER CRITICAL DECISIONS
ARE TAKEN WITH REGARD TO CONCORDE.

3. BENN SAID LATEST ESTIMATE OF JOINT DEVELOPMENT
COST FOR EXISTING VERSION OF CONCORDE IS L070
MILLION, OF WHICH A FURTHER L30 MILLION REMAINS TO
BE EXPENDED BY THE UK. NONE OF THESE DEVELOPMENT
COSTS, HE SAID, CAN HOPE TO BE RECOVERED. ON THE
CONTRARY, ESTIMATED SELLING PRICES OF CONCORDE -
\$40.5 MILLION FOR THE PRESENT VERSION OR \$47.5
MILLION FOR A MANUFACTURER-PROPOSED MODIFIED
VERSION - WILL NOT BE SUFFICIENT TO COVER FUEL
PRODUCTION COSTS AND ASSOCIATED MARKET SUPPORT
EXPENDITURE. THEREFORE, IN ADDITION TO THE LOSS OF ALL
DEVELOPMENT COSTS, THE UK SHARE OF PRODUCTION LOSSES
OVER A RANGE OF SALES, NONE OF WHICH, BENN POINTED OUT,
CAN BE SAFELY ASSUMED, WOULD BE APPROXIMATELY AS
FOLLOWS: ON 16 CONCORDES SOLD, 200 MILLION TO
225 MILLION COULD BE LOST; ON 35 CONCORDES, 260
MILLION TO 300 MILLION; ON 100 CONCORDES, 120
MILLION TO 250 MILLION. CANCELLATION OF CONCORDE
PROJECT NOW WOULD COST GOVERNMENT 80 MILLION ALLOWING
FOR CONTRACTUAL COSTS AND REDUNDANCY AND UNEMPLOYMENT
PAYMENTS.

4. BENN STATED THAT THE AIRLINE OPERATORS OF CONCORDE
WOULD PROBABLY LOSE MONEY. (THIS REMARK WAS LATER
CONFIRMED BY BRITISH AIRWAYS SPOKESMEN WHO SAID THAT
OPERATING FIVE CONCORDES COULD ADVERSELY AFFECT
AIRLINE PROFITS BY SOMETHING APPROACHING 26 MILLION
A YEAR.) BENN ALSO INDICATED IT NOT YET CERTAIN
WHETHER CONCORDE NOISE LEVELS WOULD BE ACCEPT-
ABLE AT NEW YORK, TOKYO OR SYDNEY.

5. BRITISH MANUFACTURERS PROPOSALS TO GOVERNMENT
FOR IMPROVING CONCORDE WERE SAID TO INCLUDE MEASURES
TO REDUCE NOISE AND INCREASE RANGE BY MEANS OF WING
REDESIGN, ENGINE IMPROVEMENT AND ADDITIONAL FUEL
TANKS. MANUFACTURERS ESTIMATED THESE
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MODIFICATIONS WOULD COST 167 MILLION AND THEY CLAIMED
A MARKET FOR MODIFIED VERSION OF CONCORDE BY THE EARLY
1980S OF ABOUT 130 AIRCRAFT. BENN OBSERVED, HOWEVER,
THAT IT WOULD BE PRUDENT, BASED ON PAST EXPERIENCE,
TO RAISE ESTIMATED COST FIGURE TO 220 MILLION AND
EXAMINE VERY CLOSELY MANUFACTURERS CLAIMED SALES
POTENTIAL FOR MODIFIED AIRCRAFT.

6. DESPITE GLOOMY REPORT, BENN REFUSED TO BE
DRAWN OUT ON QUESTION OF POSITION BRITISH GOVERNMENT
WILL TAKE WHEN HE AND FRENCH COUNTERPART DECIDE FUTURE
OF CONCORDE. HE SAID, HOWEVER, THAT HE HOPED TO MEET
WITH FRENCH VERY SOON AND THAT MEANWHILE ONLY FULL
DISCLOSURE OF INFORMATION, WHICH PREVIOUS GOVERNMENT
HAD WITHHELD, WOULD ENABLE THOSE INVOLVED TO STATE

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THEIR VIEWS IN ORDER FOR CORRECT DECISIONS TO BE TAKEN.

7. COMMENT. IT WILL BE RECALLED THAT RECENT
OPINION POLL (LONDON 2476) REVEALED MORE IN FAVOR
OF CANCELLING PROJECT THAN CONTINUING IT. THERE-
FORE, PUBLIC REACTION OVER NEXT WEEK OR SO TO
BRUTALLY FRANK GOVERNMENT REPORT ON CONCORDE MAY
SIGNIFICANTLY INFLUENCE GOVERNMENT DECISION ON
WHETHER TO PROCEED WITH CONCORDE PROJECT. GIVEN THE
BLEAK ECONOMIC PICTURE BENN HAS DRAWN, HOWEVER,
WITH DEVELOPMENT COSTS SAID TO BE UNRECOVERABLE
AND FURTHER LOSSES EXPECTED ON EVERY AIRCRAFT PRODUCED,
LABOR GOVERNMENT MAY HAVE DIFFICULT TIME JUSTIFYING

CONTINUED FINANCIAL COMMITMENT TO CONCORDE.

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